In data we trust

With projects such as GMP equalisation, the pensions dashboard and the rise in de-risking, having good data is imperative for pension schemes. Natalie Tuck reports

As far back as 2010, The Pensions Regulator (TPR) published guidance on data reporting, with trustees encouraged to review their data regularly. Since then, issues such as GMP equalisation and the creation of the pensions dashboard have pushed the issue into the spotlight. However, that spotlight has also highlighted the cracks in pension scheme data.

At an event earlier this year, TPR director Margaret Snowdown said that "good data is not only essential for the day-to-day running of a scheme, it will be required to comply with the pensions dashboard initiative and the scheme's ability to de-risk".

So what does the picture look like? Squire Patton Boggs partner Matthew Giles throws out the idea that the bigger the scheme the better the data quality – an idea that has become common place in terms of overall pensions governance standards.

Instead, he says that the quality of the data largely depends on the importance that scheme trustees place on accurate data; the quality of the administration service (current and former); and how willing trustees and administrators are to work together to identify and address problem areas.

"If a large tick can be placed against each of these points, the chances are that the data standards will be high, irrespective of the size of the scheme," he says. But compared to other sectors, where data is "collected, stored and made available in different flexible, easy to digest ways," ITM director Matt Dodds says, "pensions are playing catch up".

Furthermore, 75 per cent of trustees themselves note that more investment is needed to improve member data, according to XPS Pensions Group.

Dodds explains that DB provision and a low-tech world meant in years gone by there was plenty of time to review individual records in detail and make sure everything was ok. "This doesn't work in many cases now – data needs to be standardised, reliable and portable, not just to be able to do things like deliver benefit statements efficiently, but to react to members' needs and wants," he explains.

Having bad data is certainly a hindrance; Aon client relationship manager, David Pharo, notes that it "impedes paying the right benefits to the right people on time and it prevents or slows the delivery of strategic projects – and so, progress to the scheme's ultimate endgame objective". Not only that, he adds that negative press for both the trustee and the sponsoring employer if data quality issues impact member services, resulting in complaints.

The good news is that data quality is improving, says Dodds, but "the older the scheme the more likely they will have legacy systems with restricted and or missing data fields with multiple systems and records for one member".

How can data be improved further? Pharo advises schemes to work in partnership with their administrators and other professional advisers to set out clearly the schemes' objectives and understand both the importance of data to these and where any issues with data could impact on realising these objectives.

"As part of this, I would expect schemes to consider both short and long-term objectives and then planning and setting out budgets to realise these. Short-term objectives would typically include common and scheme-specific reporting requirements, and the data required to enable success of key projects, such as GMP rectification and equalisation, member options or risk settlement," Pharo says.

For those schemes that are on top of their data, Dodds says it can act as an enabler. "It can help you achieve short, medium and long-term strategic goals. Good data will keep you compliant, allow for technology enabled engagement and efficiencies and be a key part of de-risking."

Written by Natalie Tuck